

FDIC State Profile

Spring 2004

Nevada

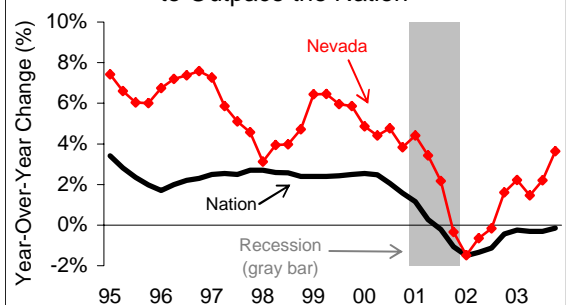
Employment in Nevada expanded 3.6 percent during the year ending fourth quarter 2003, the fastest rate among the 50 states.

- The state's annual job growth was well below average rates achieved during the late 1990s (See Chart 1).
- The leisure and hospitality sector, which accounted for 28 percent of payroll jobs in the state, expanded by 2.7 percent during the year ending fourth quarter 2003. Employment growth in key sectors like construction, retail trade, professional and business services, and education and health services contributed another 64 percent of Nevada's net job gains.
- Construction sector employment, which grew 8 percent year-over-year in fourth quarter 2003 and accounted for an above-average 9.2 percent of jobs in the state, could face risks prospectively. During 2003, residential construction permits increased by more than 20 percent above 2002 levels and far exceeded the state job growth rate. Should interest rates rise, homebuilding activity and construction job growth may slow. In addition, persistent drought conditions, which prompted some water rationing, could restrict growth.

Third quarter visitor counts and gaming revenues improved year-over-year, but were still short of peak levels attained during 2000.

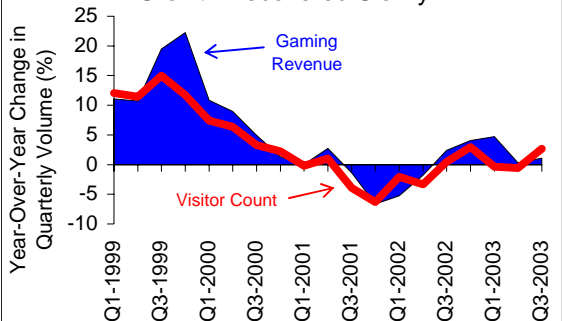
- Nevada's third quarter 2003 visitor volume improved from year-earlier levels (See Chart 2). Clark County, which includes Las Vegas, experienced a 3.2 percent year-over-year visitor increase for third quarter 2003, but Washoe County, which includes Reno and North Lake Tahoe, experienced a drop of 0.9 percent. Likewise, third quarter 2003 statewide gaming revenues were stronger than levels reported in 2002.
- According to *Standard and Poor's*, Native American casino revenues have grown significantly in recent years. During 2003, they represented an estimated 35 percent of all gaming receipts nationally, up from 26 percent in 2000, and eclipsing the estimated 24 percent market share held by Nevada-based casinos.¹

Chart 1: Nevada Employment Growth Continued to Outpace the Nation



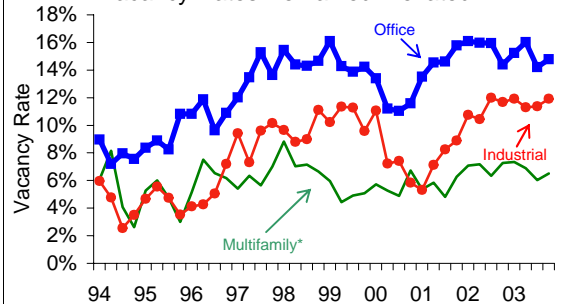
Source: Bureau of Labor Statistics and National Bureau of Economic Research

Chart 2: Nevada's Gaming Revenue and Visitor Growth Recovered Slowly



Source: Nevada Commission on Tourism

Chart 3: Las Vegas Office and Industrial Vacancy Rates Remained Elevated



*Note: Forecasted Fourth Quarter 2003 Vacancy Rate
Source: Torto Wheaton Research

¹Standard and Poor's, Industry Survey: Lodging & Gaming, February 2004, p. 4.

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Commercial real estate (CRE) vacancies rose in the Las Vegas metropolitan statistical area (MSA).

- In the Las Vegas MSA, CRE vacancy rates in office, industrial, and multifamily property types remained elevated (See Chart 3).
- However, according to the *Nevada Commission on Tourism*, hotel demand in the MSA has improved. The third quarter 2003 total occupancy rate in Las Vegas was 87.0 percent, an increase over the third quarter rates reported in both 2001 and 2002, but still below a third quarter 2000 peak of 90.4 percent.
- As of December 2003, the median CRE loan-to-Tier 1 capital ratio among Nevada's established community institutions had climbed to a ten-year high of 557 percent, up from the year-earlier figure of 483.5 percent.^{2,3} Elevated construction loan exposures, one of the traditionally higher-risk components of CRE lending, contributed to CRE risks. Nevada-based established community institutions reported a median construction loan-to-Tier 1 capital ratio of 176 percent at the end of 2003, more than triple the median ratio reported by MSA-based established community institutions nationwide.
- Despite elevated vacancies in some property sectors, the median past-due CRE loan ratio among established community institutions decreased from 0.87 percent to 0.49 percent between year-end 2002 and year-end 2003.

Personal bankruptcies accelerated, but foreclosure starts subsided during 2003.

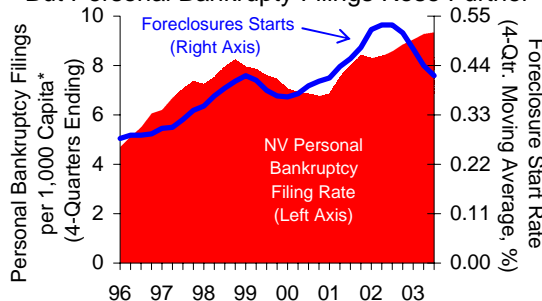
- Over the year ending September 30, 2003, the personal bankruptcy rate in Nevada continued to rise, and was exceeded only by Tennessee, Utah, and Alabama among the 50 states (See Chart 4).
- Despite the rise in personal bankruptcies over the past year, the average foreclosure start rate over the four quarters ending September 2003 declined from one-year earlier. Annual home price increases in Nevada, which were 7 percent in third quarter 2003 according to the *Office of Federal Housing Enterprise Oversight*, may have eased foreclosure pressures. Although improved, Nevada's foreclosure start rate of 0.42 percent remained well above a national average of 0.36 percent.
- Past-due and charged-off consumer and 1-4 family real estate loan ratios improved among most Nevada-based established community institutions over the year ending

fourth quarter 2003. Improved loan performance may partially reflect improved household liquidity and the lack of portfolio seasoning in the wake of high mortgage cash-out refinancing activity over the past few years.

Earnings reported by Nevada-based insured institutions improved during 2003, because of lower provision and overhead expenses.

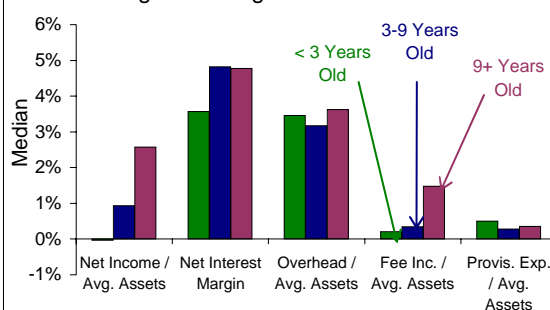
- The median return on average assets (ROA) ratio reported by insured institutions based in Nevada increased to 1.03 percent during 2003, up from 0.88 percent one-year earlier, and marginally above the national median of 1.02 percent.
- Year-to-date earnings through fourth quarter 2003 varied among insured institutions, depending on age and asset niche. ROA ratios were weakest among banks and thrifts under 9 years old, which represented 65 percent of the state's insured institutions (See Chart 5).
- Insured institutions in operation longer than 9 years reported a very high median ROA of 2.57, in part because 6 of the 13 institutions in this group specialized in high-yielding credit-card loans or fee-rich mortgage banking. Even excluding these specialty institutions, the median ROA among insured institutions open longer than 9 years remained strong at 1.45 percent.

Chart 4: Nevada's Foreclosure Starts Abated But Personal Bankruptcy Filings Rose Further



*2003 personal bankruptcy filing rate calculated using 2002 population figure.
Sources: U.S. Courts and Mortgage Bankers Association via Haver Analytics

Chart 5: Credit Card Loan Exposures Drove Profits Higher among Older Insured Institutions



Source: Nevada Bank and Thrift Call Reports (December 31, 2003)

²CRE loans include construction, multifamily, and nonfarm-nonresidential mortgages.

³Established community institutions are defined as insured institutions opened more than three years, with total assets of less than \$1 billion. The definition also excludes industrial loan companies and other specialty institutions.

Nevada at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	37	36	36	34	29
Total Assets (in thousands)	59,205,610	40,525,341	35,378,221	38,659,793	32,732,413
New Institutions (# < 3 years)	5	9	11	12	9
New Institutions (# < 9 years)	24	24	26	24	19
Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	9.39	10.01	10.27	11.57	12.51
Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	0.79%	1.57%	1.59%	1.71%	1.49%
Past-Due and Nonaccrual >= 5%	2	4	1	2	6
ALLL/Total Loans (median %)	1.25%	1.33%	1.47%	1.46%	1.55%
ALLL/Noncurrent Loans (median multiple)	3.21	1.91	1.95	2.78	2.10
Net Loan Losses/Loans (aggregate)	1.88%	1.65%	3.85%	2.69%	2.66%
Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	4	4	8	9	8
Percent Unprofitable	10.81%	11.11%	22.22%	26.47%	27.59%
Return on Assets (median %)	1.03	0.88	0.71	0.93	0.78
25th Percentile	0.67	0.36	0.07	-0.42	-0.28
Net Interest Margin (median %)	4.77%	4.83%	4.94%	5.55%	5.21%
Yield on Earning Assets (median)	6.38%	7.01%	8.31%	9.82%	8.86%
Cost of Funding Earning Assets (median)	1.39%	1.83%	3.73%	4.01%	3.50%
Provisions to Avg. Assets (median)	0.32%	0.46%	0.53%	0.73%	0.72%
Noninterest Income to Avg. Assets (median)	0.45%	0.47%	0.48%	0.61%	0.70%
Overhead to Avg. Assets (median)	3.24%	3.71%	3.76%	4.28%	4.29%
Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	83.44%	88.51%	86.78%	81.81%	84.93%
Loans to Assets (median %)	73.08%	74.24%	71.85%	68.71%	69.03%
Brokered Deposits (# of Institutions)	19	16	10	6	4
Bro. Deps./Assets (median for above inst.)	6.61%	7.18%	7.21%	7.19%	0.30%
Noncore Funding to Assets (median)	17.71%	19.17%	19.27%	15.10%	14.31%
Core Funding to Assets (median)	71.26%	65.49%	65.51%	68.53%	70.16%
Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	23	23	22	20	16
National	8	7	8	8	8
State Member	3	3	3	4	3
S&L	0	0	0	0	0
Savings Bank	2	2	2	2	2
Stock and Mutual SB	1	1	1	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
Las Vegas NV-AZ	26	54,340,064	70.27%	91.78%	
Reno NV	7	4,587,735	18.92%	7.75%	
No MSA	4	277,811	10.81%	0.47%	